

Message Text

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65-60 L
ORIGIN EA-10

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DRAFTED BY EA/ROC:KWEAVER:BDS
APPROVED BY EA/ROC:BLEVIN
EA/PRCM - MR. SMITH

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R 172054Z MAR 75
FM SECSTATE WASHDC
TO AMEMBASSY TAIPEI
INFO USLO PEKING
AMCONSUL HONG KONG
AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 059475

E.O. 11652: GDS
- G, CH, TW
TAGS: ENRG, CH, TW

SUBJECT: DRILLING IN CLINTON ZONE 4 CONCESSION

REF: (A) STATE 282284; (B) STATE 30974

1. ON MARCH 14, CLINTON OIL COMPANY CHAIRMAN RICHARD VOLK INFORMED EA/ROC THAT AS A RESULT OF EARLIER DISCUSSIONS WITH THE DEPARTMENT (REF B), SUPERIOR OIL HAD QUOTE BACKED OUT UNQUOTE OF THEIR AGREEMENT WITH CLINTON TO DRILL AN EXPLORATORY WELL IN CLINTON'S ZONE 4 CONCESSION. CLINTON, THEREFORE, FELT IT HAD NO ALTERNATIVE BUT TO ABANDON PLANS TO PROCEED WITH TEST DRILLING, AT LEAST TEMPORARILY. ALTHOUGH THE TERMS OF AGREEMENT WITH CPC ORIGINALLY COMMITTED CLINTON TO UNDERTAKE APPROXIMATELY \$4 MILLION WORTH OF DRILLING BY MARCH 26 OF THIS YEAR THE FIRM HAD BEEN GRANTED A SIX-MONTH EXTENSION BY CPC.

2. WE REITERATED IN DETAIL OUR ADVICE REGARDING EXPLORATION BY AMERICAN OIL FIRMS IN DISPUTED WATERS OF THE
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NORTH ASIAN CONTINENTAL SHELF. VOLK WAS PARTICULARLY INTERESTED IN WHETHER THE DEPARTMENT CONSIDERED SOME AREAS OF THE SHELF MORE SENSITIVE THAN OTHERS, MENTIONING HIS AWARENESS OF THE GULF/ZAPATA CASE. WE ANSWERED THAT WE BELIEVED ACTIVITIES IN SOME AREAS MIGHT PRESENT

GREATER DANGERS THAN OTHERS IN TERMS OF THE RISKS INVOLVED AND, ACCORDINGLY, HOPED THAT FIRMS WOULD TAKE THIS INTO ACCOUNT, AVOIDING AREAS THAT MIGHT BE CLAIMED BY GOVERNMENTS OTHER THAN THOSE UNDER WHICH THE FIRMS HELD CONCESSIONS. VOLK QUERIED WHETHER THE GROC AND CPC WERE AWARE OF OUR ADVICE. WE ASSURED HIM THIS WAS THE CASE.

3. IN RESPONSE TO OUR QUERY RE CLINTON'S OPTIONS, VOLK MENTIONED THE FOLLOWING: (A) ASKING CPC FOR A FURTHER EXTENSION OF PERHAPS A YEAR WITH ASSURANCES THAT CLINTON WOULD EXERT ITS BEST EFFORTS TO FULFILL ITS AGREEMENT. VOLK ENVISIONED NO DIFFICULTY IN OBTAINING THE EXTENSION; (B) SUBLICENSING ANOTHER COMPANY TO CARRY OUT DRILLING. VOLK SAID THIS WOULD BE DIFFICULT. HE RULED OUT LARGE COMPANIES ALREADY SUBSTANTIALLY EXPOSED IN THE AREA, COMMENTING THAT THERE WERE FEW OTHERS ABLE OR WILLING TO ASSUME THE FINANCIAL RISK INVOLVED; (C) DECLARING FORCE MAJEURE ON GROUNDS THAT NO RIG WAS AVAILABLE. VOLK FELT THIS WAS A WEAK OPTION AND WOULD BUY CLINTON VERY LITTLE TIME SINCE RIGS WERE QUOTE LOOSENING UP UNQUOTE. VOLK SAID HE UNDERSTOOD THAT CLINTON COULD NOT CITE OUR ADVICE IN CLAIMING FORCE MAJEURE SINCE THE DEPARTMENT HAD NO LEGAL AUTHORITY TO PREVENT DRILLING BY US FIRMS.

4. VOLK SAID HE WAS ORIGINALLY SCHEDULED TO LEAVE FOR TAIWAN ON TUESDAY, MARCH 17 BUT WOULD PROBABLY POSTPONE HIS TRIP IN LIGHT OF CURRENT CIRCUMSTANCES. HE PROMISED TO KEEP US INFORMED.

ROBINSON

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